Northeast Utilities System

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August 12, 2010

Mr. Phil Giudice
Commissioner
Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

RE: Massachusetts Biomass Policy Development

Dear Commissioner Giudice,

Northeast Utilities offers the following comments on Massachusetts Biomass Policy Development now under consideration by the Massachusetts Department of Energy Resources on behalf of our two subsidiaries, Western Massachusetts Electric Company (WMECO) and Public Service New Hampshire (PSNH). As we have discussed on many occasions, we are acutely sensitive to any projected increases to the cost of electricity or disruptions to the reliability of the electric system while very supportive of the environmental goals and policies of the states in which we operate. We are concerned with the current direction of Massachusetts Biomass Policy Development as it relates pursuant to Section 11F of Chapter 25A of the General Laws amending the current Renewable Portfolio Standard Class I regulations.

The proposed components outlined in Secretary Bowle's letter, dated July 7, 2010, would significantly affect the existing Massachusetts Class I Renewable Portfolio Standard (RPS) market, and reduce the availability of MA Class I qualified resources. This would increase the cost of Renewable Energy Credits (RECs), thereby ultimately increasing costs to electric customers in Massachusetts, including WMECO.

Further, in 2006, PSNH made a significant capital investment by converting a 50 MW coal-burning unit to biomass at the Schiller Station facility in Portsmouth, New Hampshire – this project is known as the Northern Wood Power Project. This facility received approval as a Massachusetts Class I qualified generating unit, and on average, has generated more than 300,000 RECs annually. An important factor in the final decision to convert this unit from coal to biomass was the ability to qualify the unit in the Massachusetts Class I RPS market.

When determining Massachusetts Biomass Policy and the revision of the Massachusetts Class I RPS requirements, we urge DOER to be mindful of the significant investment that has been made by PSNH (and other existing qualified Class I biomass facilities) and the benefits they provide in helping Massachusetts meet its RPS percentage goals and all of New England in meeting our collective CO2 reduction goals. We therefore request that you consider including a grandfathering provision to allow our existing facility to continue its qualification as a Massachusetts Class I RPS generating facility.

In Secretary Bowles' letter, dated July 7, 2010, there are three significant areas of focus surrounding the Massachusetts Biomass Policy discussions, which are a maximum practicable efficiency standard, reducing greenhouse gas emissions, and sustainable harvesting practices. Our specific comments regarding these issues follow below.

Efficiency Requirements:

In regard to the efficiency requirements, Secretary Bowles' letter outlines that,

> *"In order to qualify for renewable energy certificates as a low emission biomass renewable energy facility using advanced power conversion technology, generating sources must be designed, constructed and operated to achieve maximum practicable efficiency as determined by DOER."*

We request that the DOER evaluate the maximum practicable efficiency on a technology by technology basis and apply that evaluation at the time of design and construction, and not retrospectively. When NWPP began design and operation in 2006, the technology selected for this biomass facility was a fluidized bed, which at the time of operation was the technology with the maximum practicable efficiency that could be employed at the plant. Since this was the technology with the maximum practicable efficiency at the time of construction, the intent of Secretary Bowles' letter has been met and existing plants should be able to continue to operate utilizing their existing technology.

Greenhouse Gas Emission Reductions:

In regard to the Global Warming Solutions Act mandate of reducing greenhouse gas emissions by 80% below 1990 levels by 2050, Secretary Bowles' letter outlines that,

> *"...such renewable energy generating sources must, over a twenty (20) year life cycle, yield at least a fifty percent (50%) reduction in greenhouse gas emissions per unit of useful energy relative to the lifecycle greenhouse gas emissions from (1) the operation of a new combined cycle natural gas electric generating facility using the most efficient commercially available technology as of the date of application..."*

We have reviewed the calculations for comparing lifecycle greenhouse gas emissions as described in the Manomet Biomass Sustainability and Carbon Policy Study, page 111, footnote 16, and have determined that when the calculation is applied to accurately reflect the true nature of the wood harvesting practices currently employed at NWPP (i.e. 70% tops and limbs), this greenhouse gas emission reduction is achievable. However, it is dependent upon the definition of waste wood.

We therefore request that the definition of waste wood include sustainably-sourced forestry products, including, but not limited to, slash (e.g. limbs and tops), unused residues from mill operations, forest thinnings removed either to reduce forest fire risk or to allow select trees to attain a merchantable size more quickly, woody biomass removed to reduce or contain disease or insect infestation or to restore ecosystem health; and non-forestry waste from the agriculture industry including orchard and agricultural prunings and other biogenic materials that would otherwise be discarded.

Sustainable Harvesting Practices:

In regard to the sustainable harvesting management practices as outlined in Secretary Bowles' letter, we believe that a better place to address sustainable harvesting practices is with the

Department of Conservation and Recreation, which regulates forestry practices in Massachusetts. In cases where biomass comes from out-of-state forests, the forestry management practices should be regulated by the harvesting practices of that state. To do otherwise, will create an undue burden upon the State of Massachusetts and the forestry industry throughout New England.

In the case of NWPP, our facility receives approximately 500,000 tons of biomass annually from over 65 different suppliers. The majority of this supply comes from New Hampshire forests. To regulate the harvesting practices outside the purview of Massachusetts is unnecessary and redundant. Massachusetts has already employed a broad application towards the regional qualification of renewable generation facilities from outside of Massachusetts in 225 CMR 14.00. We therefore request the DOER to continue this broad regional application towards the development of sustainable harvesting practices.

Our specific concerns surrounding the proposed sustainable harvesting requirements are as follows:

1) Massachusetts sustainable harvest requirements should not require review and/or approval by a Massachusetts forester for harvests that occur outside of Massachusetts. Forester licensing is not reciprocal between states. For example, forest management plans from New Hampshire and Maine cannot be approved by a forester licensed in Massachusetts.

2) There is adequate oversight currently occurring in other states to ensure the sustainability of harvesting. All New Hampshire harvests are already over seen by the State. When a New Hampshire landowner initiates a harvest, he/she must file an "intent to cut" form with the town of the harvest. A copy of the 'intent to cut form' is sent to the State of New Hampshire, Department of Revenue Administration as state taxes are assessed. A New Hampshire Forester will visit the site for tax purposes as the form details the estimated volume of lumber, pulp and chips to be harvested. A county forester (a State of New Hampshire employee) will also visit the site to insure that the harvest is being conducted according to all harvesting laws, paying particular attention to water quality issues (stream crossings, wet lands buffers, etc.) If a wet lands permit has been filed by the logger, a wet lands specialist will also visit the site to insure water quality is protected.

3) Existing biomass suppliers have larger markets at other facilities that are not qualified in Massachusetts. Therefore, NWPP does not have the financial leverage to require the land owner to customize their harvest to meet the requirements of Massachusetts when only a small portion of that harvest will be used at a Massachusetts qualified facility.

As you know, Northeast Utilities and our operating companies are executing a number of business initiatives aimed at helping our operating companies, states, and our region meet our complex set of energy, environmental, and economic goals and seeks to strike a balance between cost, reliability, and environmental benefit. For example, our utility scale solar program in Western Massachusetts was explicitly designed to help the Commonwealth meet its solar energy goals at the lowest possible cost to our customers.

As greenhouse gases are global, not local, pollutants, we believe that NWPP at Schiller Station provides significant economic and environmental benefits to Massachusetts. We are concerned about our continued ability to operate this facility economically if we were suddenly disqualified in the Massachusetts Class I RPS market. We urge you to take the actions as outlined in our letter to ensure the continued qualification of the NWPP as a Massachusetts Class I RPS qualified resource. We stand ready to discuss these issues and others concerning new proposed biomass regulations, at your convenience.

Please feel free to contact Christie Bradway, NU's Manager of Renewable Power at 860-665-5296, or Terry Large, Director of Business Planning at PSNH at 603-634-2434 with any questions. I am always available to discuss these issues with you as well. Feel free to call me at (860) 728-4530.

Sincerely,

James B. Robb (hs)

James B. Robb
Senior Vice President
Enterprise Planning and Development